

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 3, 2013

TO: MEMBERS OF THE TRANSPORTATION COMMISSION

FROM: SANDRA MARKS, ACTING DEPUTY DIRECTOR, T&ES

SUBJECT: AGENDA ITEM #4 – VRE FY2014 BUDGET

ISSUE: Update on the Virginia Railway Express (VRE) FY2014 Budget

RECOMMENDATION: That the Transportation Commission review the proposed VRE FY2014 Budget.

DISCUSSION: The process to develop the proposed VRE Fiscal Year 2014 budget began in June of 2012, a full 13 months prior to the effective start date of July 1, 2013. The VRE Operations Board approved a set of guidelines to make sure that the budget accomplished specific goals. Those guidelines included:

- Maintain current level of service
 - Evaluate capacity enhancements
- Evaluate changes to jurisdictional subsidies
- Evaluate fare increases
- Prioritize capital to ensure adequately maintained
- Continue fuel hedging strategies
- Maintain working capital at no less than 2 months of operating costs
- Evaluate debt levels – issue debt vs. pay as you go

In October 2012, the local jurisdictions, represented by the CAO Task Force, a group of representatives from each jurisdiction, worked with VRE Staff providing feedback and recommendations for the budget. The final proposed budget, including the CAO Task Force recommendations was then presented to the VRE Operations Board in December 2012.

The final proposed budget included the following:

- Estimates average daily ridership of 20,100
- Maintains current 32 trains (30 revenue)
- Additional 10-car Fredericksburg line train deferred until FY 2015 (July 1, 2014)
- Recommends 4% fare increase
- Maintains level jurisdictional subsidy of \$16.4M (no increase to the City's subsidy; however, increases to other jurisdictions based on the VRE riders survey)

- Spotsylvania station opens January 2014
- Funds high priority capital improvements, such as positive train control and new railcars

The budget was then submitted to PRTC and NVTC for approval by the local jurisdictions in January 2013.

Because the proposed budget includes a fare increase, VRE has allowed for public comment through the mail, email, online, and through a series of public hearings which gave riders or any other interested parties the ability to voice their opinion before the proposed budget is adopted. The reasons why VRE is proposing a 4% fare increase is because VRE faces contractual cost increases based on either fixed escalation rates or indexed rates based on CPI adjustments. For example, the Norfolk Southern and CSX access agreements each have a fixed 4% escalator. Amtrak access fees include an indexed escalator estimated back in 2012 to be 5%. The Keolis contract has an indexed escalator that was estimated at just over 2%. Combine those contractual obligations with other variable increases in insurance rates and the price of fuel, along with the increased expenses associated with recent capacity improvements by adding a car on each line, and there is a budget shortfall. To close that gap, the proposal includes a 4% fare increase.

The VRE Board will adopt a FY 2014 budget at their April or May Board meeting.